GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:683
ANSWERED ON:28.07.2005
TAKING OVER OF KELTRON
Manoj Dr. K.S.

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government has accepted the recommendations of the Task Force to take over the various electronic factories as defence units;

(b) if so, whether the Government proposes to take over Keltron as a defence unit;

(c) if so, the details thereof;

(d) if not, the reasons therefor; and

(e) the time by which the final decision is likely to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF DEFENCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI BIJOY KRISHNA HANDIQUE)

(a) to (e): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 683 FOR 28.7.2005

The Government has received requests to take over KELTRON as unit under the Ministry of Defence. The Government has not found it feasible to take over the units of KELTRON.

2. In response to such requests a Task Force was set up to examine and identify the possible areas for long term arrangements between Public Sector Undertakings under Ministry of Defence and Ordnance Factory Board with KELTRON. The Task Force has submitted its Report. The recommendations of the Task Force are annexed. It has been decided that the Public Sector Undertakings under Ministry of Defence and the Ordnance Factories would consider placing orders on KELTRON within the existing framework of Government guidelines and purchase policies.

ANNEXURE REFERRED TO IN THE STATEMENT GIVEN IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 683 FOR 28.7.2005

RECOMMENDATIONS OF THE TASK FORCE WITH RESPECT TO LONG-TERM ARRANGEMENTS.

1. The two State PSUs, KELTEC/KELTRON, are valued suppliers to Defence Establishments and Space Department for over a decade. The companies have been more involved in supplies of developmental nature, which does not provide a long-term and planned feed for their consistent growth and upgradation. It is desirable to provide the Companies with a consistent and committed workload through long-term procurement relationship.

2. HAL, BEL, BDL, OFB, ISRO and DRDO have identified items for such long-term relationship. These are listed in Chapter 7.0. DRDO and ISRO have already a successful ongoing procedure for placing orders on these firms. Continuation and further enlargement of this relationship would be useful for mutual benefit of these organisations. However, with respect to DPSUs and OFB a viable procedure for implementation of such a relationship be looked into and approved by competent authority because at present they are bound to follow the general tendering procedure based on Government/CVC guidelines.

3. For orders of development nature, small batch size and requiring constant interaction and upgradation of skills and facilities appropriate long term relationship with KELTEC and KELTRON would be desirable.

4. The Task Force, after considerable deliberations, recommends the following:-

4.1 The DPSUs, DRDO, OFs, etc. may appoint KELTEC and KELTRON as a 'Preferred Vendor' as currently being done by Space Department, in specified areas of procurement. The buying company may follow the limited tender process within the preferred vendors for such procurements.

4.2 In view of the financial constraints of KELTEC and KELTRON, the long-term orders may include advance payment/ free issue of material along with orders, wherever possible.

4.3 DPSUs/OFB may also consider investment in upgradation of specific technologies as needed for their niche production coupled with operational control, if desired.

4.4 The items and work identified may be put on a 'Rate Contract' for a period ranging from one to five years, depending on the nature of item, volumes involved and the spread over a time frame. The 'Rates' and terms shall be mutually agreed by the buying company and KELTEC/KELTRON. For the period when this Rate Contract is in vogue, the buying company can straightaway procure from KELTEC and KELTRON based on agreed schedule, without having to follow any tendering process. Arrangement currently in practice with DGS&D in this respect may be considered.

5. OFB representative has sited synergy between OFB and KELTEC and some of the units of KELTRON and has indicated an option to acquire KELTEC and some units of KELTRON either as subsidiary or direct integration with OFB.

Considering the proposal from Kerala Government to the Central Govt. for acquiring KELTEC and KELTRON the Government may examine this in details including due diligence.